Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Text

CONFIDENTIAL

PAGE 01 SAN JO 02117 042321Z

15
ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20

STR-08 CEA-02 L-03 H-03 TAR-02 JUSE-00 DRC-01 /163 W
---------- 017450
R 042215Z JUN 74
FM AMEMBASSY SAN JOSE
TO SECSTATE WASHDC 7190
INFO AMEMBASSY BOGOTA
AMEMBASSY BRASILIA
AMEMBASSY GUATEMALA
AMEMBASSY MANAGUA
AMCONSUL GUAYAQUIL
AMEMBASSY PANAMA
AMEMBASSY QUITO
AMEMBASSY SAN SALVADOR
AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L SAN JOSE 2117

E.O. 11652: GDS
TAGS: ETRD, CS
SUBJECT: BANANAS -- VISIT OF UNITED BRANDS
CHAIRMAN ELI BLACK.

REF: SAN JOSE 2108

1. SUMMARY: UNITED BRAND'S CHAIRMAN ELI BLACK
CALLED ON CHARGE JUNE 3 TO BRIEF EMBASSY AND REQUEST
OUR LOW-KEY ASSISTANCE IN HELPING COSTA RICA
AND OTHER PRODUCERS OFF EXPORT TAX PETARD IN ORDER
AVOID SERIOUS DISLOCATION IN INDUSTRY. BLACK FEELS
THAT PRODUCERS' POSITION IS BASICALLY JUST BUT TAX
MECHANISM UNWORKABLE. HE BELIEVES AN INDIRECT TAX
COUPLED WITH PRODUCTION CONTROLS OR EVEN SPREADING
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CONFIDENTIAL

PAGE 02 SAN JO 02117 042321Z

EXPORT TAX OVER TIME MIGHT WORK.

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

ACTION REQUESTED: WE AGREE OUR LOW-KEY EFFORTS WITH
GOCR MIGHT BE VERY USEFUL AT THIS TIME, BUT WOULD
APPRECIATE DEPARTMENT'S COMMENTS ON BLACK'S APPROACH
TO US. END SUMMARY.

2. UNITED BRAND'S CHAIRMAN ELI BLACK CALLED ON
CHARGE MORNING JUNE 3, ACCOMPANIED BY HARVEY JOHNSON,
VICE PRESIDENT IN CHARGE OF UNITED'S BANANAS OPERATIONS,
AND TWO OTHER OFFICIALS. BLACK WILL BE IN
COSTA RICA JUNE 4 BUT WILL LEAVE ON WEDNESDAY
FOR A TRIPARTITE MEETING IN HONDURAS ON THURSDAY, JUNE 6
WITH REPRESENTATIVES OF THE GOH AND OF STANDARD FRUIT.

3. BLACK SAID THE PURPOSE OF HIS CALL WAS TO BRIEF
THE EMBASSY ON THE BANANA TAX ISSUE AND REQUEST OUR
LOW-KEY ASSISTANCE IN WORKING WITH GOCR OFFICIALS TO
SEEK A SOLUTION TO THE PRESENT IMPASSE RESULTING FROM
THE BANANA EXPORT TAX PROPOSAL.
HE SAID HE HAD MORE FAITH IN THE SOPHISTICATION OF THE COSTA
RICANS FOR PROVIDING A WAY OUT THAN IN ANY OF THE OTHER COUN-
TRIES. HE EMPHASIZED, MORE THAN ONCE, THAT IF SOME SOLUTION
WERE NOT FOUND THE RESULT WOULD BE CHAOS IN THE
BANANA INDUSTRY, WITH SERIOUS HARDSHIP INEVITABLE
FOR THOUSANDS OF FAMILIES DIRECTLY DEPENDENT UPON BANANA
PRODUCTION.

4. CONCERNING UNITED'S RELATIONS WITH STANDARD FRUIT,
BLACK SAID THERE HAD BEEN ABSOLUTELY NO CONSULTATION
ON AN ON-GOING BASIS AND ONLY ONE PREVIOUS MEETING
WITH STANDARD, WITH THE PRIOR AGREEMENT OF BOTH THE
DEPARTMENTS OF JUSTICE AND STATE. (PRESUMABLY HE
BELIEVES THE FORTHCOMING HONDURAS MEETING ALSO HAS
USG SANCTION.) WITHOUT DIRECTLY SAYING IT, HE OBVIOUSLY
FELT STANDARD HAD OVERPLAYED THE TAX ISSUE
AND THAT UNITED'S HANDLING WAS INFINITELY BETTER. HE
SAID THAT WHEN THE QUESTION HAD FIRST COME UP, HE HAD
POINTED OUT TO FIGUERES THAT (A) UNITED (OR ANY OF
THE BANANA COMPANIES) COULD NOT COLLUDE IN THE TAX
FOR OBVIOUS LEGAL REASONS, (B) THE TAX WOULD WORK
ONLY IF ALL BANANA PRODUCERS AGREED TO IT, BUT (C)
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PAGE 03 SAN JO 02117 042321Z

BANANAS, UNLIKE OIL, DID NOT READILY LEND THEMSELVES
TO A CARTELIZATION APPROACH. HAVING MADE THIS CLEAR
UNITED, UNLIKE STANDARD, WAS WILLING TO TAKE A BACK
SEAT AND AWAIT EVENTS.

5. BLACK SAID HE SYMPATHIZED WITH THE PLIGHT OF
THE BANANA PRODUCERS, MOST OF WHOM HAD SUFFERED
SEVERE BALANCE-OF-PAYMENTS STRESSES AS A RESULT OF

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

THE PETROLEUM CRISIS. HE SAID HE AGREED AS WELL
THAT THE FACT THAT BANANA PRICES HAD REMAINED STABLE
WHILE OTHER FRUIT PRICES HAD INCREASED SEEMED UNJUST,
BUT THAT THIS WAS THE WORKING OF A MARKET WHICH WAS
EXTREMELY PRICE-SENSITIVE TO SUPPLY VARIABLES, AND
NOT DUE TO THE FRUIT COMPANIES' MANIPULATION OF THE
MARKET. (HE SEEMED TO THINK PART OF STANDARD'S
MOTIVE IN CUTTING BACK PRODUCTION IN CENTRAL AMERICA WAS TO
DEMONSTRATE THIS PRICE-SENSITIVITY..WHICH IT SUCCEEDED IN
DOING.)

6. BLACK SAID THE ONLY WAY TO AVOID SERIOUS DISLOCATION
IN THE INDUSTRY NOW SEEMED TO BE TO PROVIDE THE
PRODUCER COUNTRIES WITH A GRACEFUL WAY OFF THE EXPORT
TAX PETARD, WHILE AT THE SAME TIME IMPROVING EARNINGS. HE
THOUGHT AN INDIRECT TAX (E.G., AN INCOME TAX) COUPLED WITH
SUPPLY RESTRAINT MIGHT BE A GOOD SOLUTION, OR EVEN A GRADUATED
EXPORT TAX SCHEDULED OVER TIME. THE CONSUMER WOULD NOT, HOW-
EVER, TOLERATE A QUANTUM JUMP IN THE PRICE OF BANANAS.

7. CONCERNING THE ATTITUDES OF INDIVIDUAL PRODUCING
COUNTRIES, BLACK SAID THAT HE HAD JUST COME FROM A
MEETING WITH GENERAL TORRIJOS IN PANAMA AND THAT
TORRIJOS AND GOP INDUSTRIES AND COMMERCE MINISTER
MANFREDO WERE PROBABLY THE LEAST FLEXIBLE AND LEAST
SOPHISTICATED OF ANY OF THE PRODUCER COUNTRIES'
LEADERS INVOLVED. HE DESCRIBES THE MEETING SUCCINTLY
AS "NOT SUCCESSFUL" AND SAID TORRIJOS HAD OBVIOUSLY
ADOPTED A HARD-NOSED STAND ON THE BANANA TAX AS A FORM
OF MACHISMO. REGARDING ECUADOR, HE SAID THAT COUNTRY'S POSITION
WAS VITAL TO THE SUCCESS OF THE TAX AND IN REFUSING TO GO ALONG
ECUADOR WAS REALLY DOING NOTHING MORE THAN PLAYING ITS TRADITIO-
NAL ROLE OF SUPPLIER IN STRESS SITUATIONS FACING THE CENTRAL
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AMERICA PRODUCERS (THUS BLACK WAS NOT SURPRISED AT
ECUADOR'S WILLINGNESS TO INCREASE SALES TO STANDARD WHEN
STANDARD CUT BACK ON SHIPMENTS FROM HONDURAS AND COSTA RICA.).
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